

Message Text

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ACTION EUR-12

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ALSO FOR USEC AND USOECD

E.O. 11652: N/A

TAGS: EFIN, IMF, BE

SUBJECT: VAN YPERSELE COMMENTS ON CURRENT FINANCIAL
ISSUES

1. DURING CONVERSATION WITH AN EMBASSY OFFICER JANUARY 24,
JACQUES VAN YPERSELE (INTERNATIONAL COUNSELOR/MINISTRY
OF FINANCE) MADE THE FOLLOWING COMMENTS OF POSSIBLE
INTEREST ON CURRENT FINANCIAL ISSUES:

2. U.S. SUPPORT OF THE DOLLAR. VAN YPERSELE SAID THAT
THE BELGIAN GOVERNMENT (AND OTHER EUROPEAN GOVERNMENTS)
ARE PLEASED WITH U.S. MOVES IN RECENT WEEKS TO SUPPORT
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THE DOLLAR. PARTIALLY AS A RESULT, THE BELGIAN
FRANC IS NO LONGER UNDER PRESSURE IN THE SNAKE AND
BELGIUM CAN MOVE BACK TOWARDS LOWER INTERNAL INTEREST
RATES TO HELP ECONOMIC REVIVAL. BELGIAN MONETARY
AUTHORITIES CONTINUE TO BE DISTURBED, HOWEVER, BY WHAT
VAN YPERSELE CHARACTERIZED AS U.S. TREASURY OFFICIALS'
PROPENSITY TO EXPLAIN AWAY OR QUALIFY TOO MUCH IN PUBLIC

WHAT THEY ARE DOING, LEAVING FOREX MARKETS DOUBTFUL AS TO WHAT USG POLICY AND INTENTIONS REALLY ARE. HE BELIEVES THAT THIS UNCERTAINTY HAS REDUCED THE EFFECTIVENESS OF US MEASURES TAKEN SO FAR, AND ADDED THAT THIS VIEW IS SHARED IN MOST EUROPEAN FINANCIAL MINISTRIES AND CENTRAL BANKS.

3. EUROPEAN RECOVERY. BELGIAN ECONOMIC PERFORMANCE CONTINUES GOOD IN SOME AREAS, PARTICULARLY ON THE PRICE FRONT. VAN YPERSELE SAID THAT JANUARY CONSUMER PRICE FIGURES, SOON TO BE RELEASED, WILL SHOW INFLATION BELOW SIX PERCENT ON AN ANNUAL BASIS. THE CURRENT BALANCE OF PAYMENTS FOR 1977 SHOULD END NEAR EQUILIBRIUM. THE BIG PROBLEM IS SLACK ECONOMIC GROWTH AND ACCOMPANYING HIGH UNEMPLOYMENT (A MINISTRY OF ECONOMIC AFFAIRS ECONOMIC FORECASTER HAS TOLD US SEPARATELY THAT 1978 REAL GNP GROWTH IN BELGIUM WILL PROBABLY BE UNDER THE ALREADY SMALL 2.5 PERCENT INCREASE ESTIMATED FOR 1977). VAN YPERSELE SAID THAT TOP BELGIAN OFFICIALS ARE "VERY FRUSTRATED" WITH CONTINUED WEST GERMAN RELUCTANCE TO UNDERTAKE THE SORT OF REFLATIONARY PROGRAM WHICH COULD IMPROVE BELGIAN PROSPECTS, DESPITE CONTINUED GOB IMPORTUNING.

4. BELGIAN RATIFICATION OF IMF AMENDMENTS/QUOTA INCREASE. VAN YPERSELE SAID THAT HE WAS ACCOMPANYING FINANCE MINISTER GEENS THE SAME DAY TO TESTIFY IN HOUSE COMMITTEE LIMITED OFFICIAL USE

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ON THIS LONG-DELAYED BILL (DUE TO THE FALL OF TINDEMANS I LAST SPRING AND THE SUBSEQUENT NEED TO RESUBMIT ALL PENDING LEGISLATION TO THE NEW PARLIAMENT LAST FALL). AFTER HOUSE PASSAGE, THE BILL WILL HAVE TO PASS THE SENATE. IT IS NOT CONTROVERSIAL HOWEVER; VAN YPERSELE SAID HE BELIEVES CHANCES ARE GOOD THAT BELGIAN RATIFICATION CAN BE COMPLETED BEFORE THE APRIL MEETINGS OF THE IMF INTERIM COMMITTEE IN MEXICO CITY. OLSEN

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